

State of Utah
School & Institutional
Trust Lands Administration

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DIV. OF OIL, GAS & MINING

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Director

January 14, 2014

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JAN 16 2014

SECRETARY, BOARD OF
OIL, GAS & MINING

Utah Board of Oil, Gas and Mining
ATTENTION: Mr. Ruland Gill, Board Chairman
1594 West North Temple, Suite 300
Salt Lake City, UT 84116

RE: Docket No. 2014-011

Cause No. 142-11

Ultra Request to Continue to Flare Gas in Excess of Amounts

Allowed under Utah Admin Code Rule R649-3-20(1.1) from
the Three Rivers 2-13-820 and Three Rivers 2-23-820
Sec 2, Township8 South, Range 20 East, SLM
Lease ML 49318

Dear Mr. Gill:

This letter is in response to Ultra Petroleum's request to continue to flare excess amounts of gas from the captioned wells until the pipeline is completed. The wells were both completed in August 2013, and I believe are currently producing. The production reports filed with the Division do not reflect the amounts of gas being flared, but I must assume that it has been and continues to be in excess of 30 MCFPD. These wells are both drilled on a School and Institutional Trust Lands (SITLA) section. SITLA has a fiduciary responsibility to its beneficiaries to receive value for any commodities leaving its leases. Currently, the agency is not receiving royalty on any flared gas from these wells which is inconsistent with our beneficiary obligation. While I understand that the flaring of gas can be necessary in a new well in order to produce other high-value commodities, i.e. the oil, from the well, to continue to flare large amounts of gas without payment of royalties is problematic.

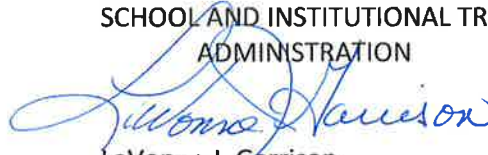
In speaking with personnel at Ultra, I have been told the company is running 24-hour crews to try to finish the line. Based on information that I have today, SITLA supports the Division's proposal to allow Ultra to flare for a short time and to require Ultra to return to the Board at the February 26, 2014, if necessary, to provide testimony that it requires more time to complete the pipeline rather than a single longer extension to April 2014. The agency continues to be very concerned about excess flaring from its wells and is reviewing our policy with regard to this issue.

Mr. Ruland Gill
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Should you have any questions, please feel free to contact me at 801.538.5197 or by email at lavonnegarrison@utah.gov.

Yours very truly,

SCHOOL AND INSTITUTIONAL TRUST LANDS
ADMINISTRATION



LaVonne J. Garrison
Assistant Director/Oil & Gas

Cc: Kiersty Loughmiller, Esq.
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Michael S. Johnson, Asst. Attorney General
Julie Ann Carter, Board Secretary